



## Commonwealth of Kentucky Public Protection Cabinet

**Steven L. Beshear, Governor**

**Robert D. Vance, Secretary**

**FOR IMMEDIATE RELEASE**

**CONTACT:** Kelly May  
502-573-3390 x252  
800-223-2579 x252  
502-229-5068 Cell

### **Kentucky Joins Multi-State Action Against Morgan Keegan**

***States Seek to Bar Company After Investors Lose \$2 Billion***

**FRANKFORT, Ky. – (April 7, 2010)** – The Kentucky Department of Financial Institutions (DFI) today joined a multi-state administrative action seeking to revoke the registrations of Morgan Keegan & Company and Morgan Asset Management in four states.

Securities regulators from Kentucky, Mississippi, Alabama and South Carolina are pursuing action after an extensive multi-state investigation revealed the companies misled investors by failing to disclose risks regarding six proprietary mutual funds and by providing misleading information about products. The notice also cites that the company had due diligence and supervisory failures. In addition, the Securities and Exchange Commission (SEC) and Financial Industry Regulatory Authority (FINRA) are pursuing separate action against the firm.

This action is the first step in the process. The companies, which are currently registered in Kentucky as a broker-dealer and investment adviser respectively, can continue to operate until a final order is issued revoking their registrations. The respondents have a right to request an administrative hearing.

“We are taking an unprecedented step against a major regional brokerage firm,” said Shonita Bossier, director of DFI’s Securities Division. “Aggressive enforcement action is appropriate given the extent of the losses to Kentucky investors because of misleading information and unsuitable recommendations. This action is meant to protect consumers by preventing these circumstances from occurring in the future.”

Kentucky investors may contact DFI at 800-223-2579 with questions or to file a complaint. DFI cannot give investment advice, including recommendations of whether to use a particular broker, and DFI does not act as an investor's attorney.

The investigation centers on six proprietary mutual funds sold by Morgan Keegan broker-dealers to approximately 13,000 customers. Those six proprietary mutual funds lost approximately \$2 billion from March 31, 2007 to March 31, 2008. This includes more than \$9.4 million invested by Kentuckians in just one of the six funds.

The action alleges Morgan Keegan and Morgan Asset Management:

- Made material omissions and misrepresentations in marketing materials;
- Made material omissions and misrepresentations in regulatory filings;
- Withheld information from and misrepresented information concerning the funds to the Morgan Keegan sales force;
- Provided preferential treatment to certain customers;
- Failed to make suitable recommendations concerning purchase and concentration of the funds in customer accounts;
- Failed to adequately supervise their employees; and
- Obstructed the due diligence process.

The administrative action seeks to revoke Morgan Keegan's registration to sell securities in the four states, barring the firm from doing business in those states. The action also seeks to bar four employees: James C. Kelsoe, Brian B. Sullivan, Gary Stringer and Michele Wood, none of whom operate in Kentucky. The states will seek other administrative penalties and restitution for investors.

For more information about the case against Morgan Keegan, including the complete notice, visit [www.kfi.ky.gov/public/morgankeegan.htm](http://www.kfi.ky.gov/public/morgankeegan.htm).

Morgan Keegan & Company, headquartered in Memphis, Tenn., is a registered securities broker-dealer, and Morgan Asset Management is a federal registered investment adviser headquartered in Birmingham, Ala. Both are wholly owned subsidiaries of Regions Financial Corporation.

DFI is an agency in the Public Protection Cabinet. It supervises the financial services industry by examining, chartering, licensing and registering various financial institutions, securities firms and professionals operating in Kentucky. DFI's mission is to serve Kentucky residents and protect their financial interests by maintaining a stable financial industry, continuing effective and efficient regulatory oversight, promoting consumer confidence, and encouraging economic opportunities.